

division of municipal development



Mitt Romney, Governor
Kerry Healey, Lieutenant Governor
Jane Wallis Gumble, Director

Massachusetts
Department of Housing &
Community Development
1 Congress Street
Boston, MA 02114

(617)727-7765
<http://www.mass.gov/dhcd>

Urban Redevelopment Corporations

Fact Sheet

Urban Redevelopment Corporations are private, limited dividend entities created under Chapter 121A and Massachusetts Regulation 760 CMR 25.00 to develop residential, commercial, civic, recreational, historic or industrial projects in areas which are considered to be decadent, substandard or blighted open. An urban redevelopment corporation, or 121A entity, may not undertake more than one project nor engage in any other type of development activity. The 121A entity bears the responsibility for planning and initiating the project and owns the project throughout its existence.

The statute and regulations authorize the exemption of 121A projects from real and personal property taxes, betterments and special assessments. It sets forth procedures for negotiating an alternative tax payment on these projects and allows the project developer to exercise the power of eminent domain to assemble a development site under specified circumstances.

By allowing tax exemptions, Urban Redevelopment Corporations serve as catalysts for development in areas with high property tax rates, or in areas that are minimally marketable as locations for private investments. Although the most frequent application of Chapter 121A has been in the construction of housing for low- and moderate-income families, the opportunity exists to use this tool for economic development.

How it works

The Department of Housing and Community Development (DHCD) is responsible for the administration of the Chapter 121A program for all cities and towns with the exception of Boston where it is administered by the Boston Redevelopment Authority (BRA). The project developer submits an application to DHCD or to the BRA. Once the application is considered complete by DHCD, it is given to the municipality's chief executive officer who, in turn, passes it on to the city council (city) or planning board (town). The municipality must then hold a hearing within 45 days. Within 45 days of the hearing, or within 90 days after receipt of the

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application, the city council or planning board must issue a report to the chief executive officer. Within 30 days of receipt of the report, the chief executive officer must report back to DHCD indicating either approval or disapproval of the application. DHCD will review and approve the developer's application, as amended and approved by the municipality. A 121A entity is officially established when a certificate is issued by the Secretary of State of the Commonwealth.

Urban Redevelopment Corporations are authorized to:

- acquire, sell and hold land, including the taking of land by eminent domain;
- manage property;
- construct and improve facilities;
- borrow money and issue bonds; *and*
- receive exemption from real and personal estate property tax.

Who is eligible

Nonprofit corporations, for-profit corporations, joint ventures and public/private partnerships. Insurance companies and banks also qualify under special statutory provisions of the law.

Urban Redevelopment Corporations are exempt from real and personal property tax; however, the 121A entity must make three types of substitute payments:

- **Minimum Statutory Payment:** A mandatory payment equal to 1% of the fair cash value of the property plus 5% of the gross income of the project from all sources. This payment, collected by the state, is returned to the municipality where the project is located.
- **Excess Income Payment:** Any excess profits, after all eligible deductions have been made, must be returned to the municipality up to the level of tax that would have been assessed if the property were a non-121A entity. By law, 121A entities, as "limited dividend corporations," may earn no more than 8% return on investment.
- **Negotiated Payment:** A payment above the minimum statutory payment may be negotiated on a project-by-project basis between the developer and the municipality. This payment is made directly to the municipality and local officials have wide latitude in determining the amount of payment.

For more information

Please contact DHCD's Division of Municipal Development at (617) 727-7001. The staff is also available by appointment to provide assistance with applications.